

July 16, 2004

VIA HAND DELIVERY & BY ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02888

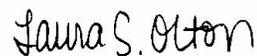
RE: Docket 3463 - Report of the Rhode Island DSM Collaborative Meeting of July 1, 2004

Dear Ms. Massaro:

Enclosed on behalf of the Rhode Island DSM Collaborative are 10 copies of a report of meeting minutes from the Collaborative's July 14, 2004 meeting. Please circulate a copy of this report to the Commissioners as well as other interested staff members. Although this report is not required by the settlement approved in Docket No. 3463, the Collaborative is forwarding a copy of this report as a means to keep the Commission informed of its ongoing actions during the course of the year. I would also appreciate it if you would put a copy of this report in the official file for this docket.

Thank you for your attention to our report. Please contact me if you have any questions concerning this matter.

Very truly yours,



Laura S. Olton

Enclosures

cc: Docket 3463 Service List
RI Collaborative Members (w/attachment)

**RHODE ISLAND DSM COLLABORATIVE
JULY 14, 2004
MEETING MINUTES**

Attendance

Non-Utility Parties	For Narragansett Electric
Al Contente, Division	Carlos Gavilondo
John Farley, TEC-RI	Michael McAteer
Doug Hartley, RI PUC	Laura McNaughton
Bill Lueker, RIAG for the Division	Laura Olton
Bill Martin, TEC-RI	Carol White
Janice McClanaghan, RI SEO	Jeremy Newberger
Dave Stearns, Division	
Erich Stephens, for CCJ	
Tim Woolf, for the Division	

Absent: Fred Mason

Meeting Highlights

- The Collaborative discussed the Company's shareholder incentive mechanism.
 - The Collaborative discussed a set of questions to be sent to the RI PUC to obtain guidance from it about potential changes to the incentive mechanism.
 - The Collaborative reviewed performance metric achievements to date in 2004 and identified potential areas for with performance metrics focus for 2005.
 - The Collaborative set its next meeting date for July 28.
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Meeting Details

The fourth Rhode Island DSM Collaborative meeting of 2004 began at 9:09 a.m. at the offices of the Narragansett Electric Company in Providence, RI.

1. Rhode Island DSM Incentive Mechanism

A. Questions for the RI PUC

The RI Public Utilities Commission held a technical session on July 7, 2004 to discuss Narragansett Electric's shareholder incentive mechanism. At the conclusion of the Technical Session, it was agreed that the Collaborative would draft a set of questions for the Commission to answer and provide guidance for potential modifications to the incentive mechanism.

The Company drafted a set of proposed questions about the incentive mechanism for discussion by the Collaborative at today's meeting and possible submission to the Commission for the 2005 programs.

The Collaborative first reviewed discussion points raised at the Technical Session. It then reviewed the draft list of questions. The discussion covered the purpose of the incentive, historic performance under the current structure, incentive structures in other states in the region.

Based on Collaborative input, a set of four questions was identified as being appropriate and useful for sending to the Commission. The Collaborative expects that the Commission will discuss these questions at Open Meeting on July 29, and provide responses to the Collaborative, to help guide incentive mechanism proposals for the 2005 program.

Action Item: The Company will revise the list of questions, with the feedback obtained from the Collaborative, and send them to the Commission.

The questions were sent by the Company to the Commission on July 19, 2004.

B. Performance Metrics

One part of the discussion on the incentive structure covered performance metrics. As an introduction to this discussion, the Company presented information on current metric progress through the second quarter. This is attached as Item 1b.

The Collaborative offered some additional ideas for potential performance metrics in 2005. (*Note: these are included in the fourth question to the Commission.*) One suggestion, by John Farley, was non-standard measure approval.

Action Item: John Farley will provide to the Collaborative examples of “non-standard measures.”

Action Item: Laura McNaughton will provide to the Collaborative information on the nature of the Energy Star clothes washer metric in Massachusetts.

Laura McNaughton reports that the Massachusetts clothes washer metric is as follows—
--Threshold: Achieve an ENERGY STAR Clothes Washer market share 10 percentage points above the national average reported by D&R International for national partners for 2004.

--Design: 14% above national average

--Exemplary : 18% above national average

2. HEM Program

Laura McNaughton introduced a discussion on the HEM (Home Energy Management) Program. The program started in 1987 and was closed to new customers in 1998. DSM funds are used to maintain the program, whose participant currently number about 4100. The Company had determined that about \$300,000 of upgrades to software and

equipment would be needed in all three states in which National Grid offers the program to continue the program in 2005.

The Company considers that it may be time to end the program for the following reasons:

- There is no growth potential.
- The technology is dated and is no longer being invested in.
- The Company no longer owns generation and therefore does not directly benefit from the demand savings provided by the program.
- The program provides maximum savings in the winter, whereas the Company is summer peaking.

It is talking to stakeholders in all three states in which it is operating about discontinuing the program.

The Collaborative was generally sympathetic with the Company's suggestion. However, the Collaborative was concerned about the impact ending the program would have on low income customers. Tim Woolf suggested offering audit services to low-income customers if the program were to be terminated.

Action Item: Laura McNaughton will research how many low income customers are in the HEM program.

Laura McNaughton reports that on July 19, 2004, the number of Narragansett Electric customers who both are controlled by HEM and on the low income rate is 259 customers.

3. Upcoming Calendar

The Collaborative set its next meeting for July 28, 2004, from 9 a.m. to noon, at Narragansett Electric's offices.

The location of the planned August 4 meeting may have to be changed for Johnson & Wales.

Action Item: Jeremy Newberger will send out the following information to the Collaborative prior to the July 28 meeting

- *program results through the second quarter*
- *potential residential and C&I program modifications for 2004.*

The material was sent on July 22.

The meeting adjourned at approximately 12:40 p.m.

Minutes prepared by Jeremy Newberger

NARRAGANSETT ELECTRIC COMPANY
2004 Performance Metrics

Metric	Status through June 2004
Residential Metric 1: ENERGY STAR Clothes Washers	
The Company will achieve an ENERGY STAR qualified Clothes Washer market share for 2004 in Rhode Island that is 7 percentage points above the national average.	No data is available yet for 2004. Full year data for 2003 indicates Rhode Island market share was 2.3% better than national average.
Residential Metric 2: ENERGY STAR Homes	
The Company will conduct plans analyses and home ratings and sign ENERGY STAR builders agreements with 15% of the new homes built in Rhode Island in 2004.	Through June, the ratio of signed Energy Star builders' agreements to number of permits in Rhode Island is about 15%.
C& I Metric 1: Building Operator Certification (BOC) Training	
The Company will enroll in 2004 an additional 25 Rhode Island facility building engineers, technicians, contractors, or operators in the NEEP- Level 1- O&M training and certification course.	Level 1 BOC class has been enrolled with 25 facility professionals in cooperation with the SEO and will run from June 28 th through September – 8 sessions
C&I Metric 2: High Performance Schools	
The Company will contract with three new school projects through Design 2000plus to provide full incremental cost for high performance design and construction practices with a special focus on high quality energy efficient lighting.	The Company currently has one school under commitment – Penfield School (Portsmouth – private) and several under development including Cumberland, Ponagansett Regional, East Greenwich and Lincoln schools.
C&I Metric 3: Comprehensiveness in Small Business Installations	
The Company will achieve 5% comprehensiveness in Small Business Services in 2004.	5 custom projects completed to date, out of 292 non-cooler projects completed, or 1.7% comprehensiveness. An additional 16 custom projects are in various stages of development.